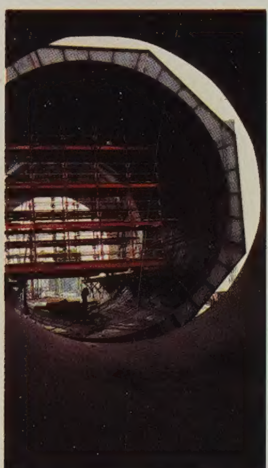
Dominion Bridge Company, Limited

Annual Report 1980

Dominion Bridge Company, Limited

Wiley yard underwent $12 million modernization program in preparation for tunnel tube project. The program included erection by the Company's JESCO unit of four Varco-Pruden buildings for office, storage and fabrication activities. Wiley also installed three new Clyde Whirley cranes for handling materials and moving finished tunnel sections. Shown here is one of the new buildings plus one new crane.



Front Cover: *Wiley Manufacturing, whose yard is located on the Susquehanna River in Maryland is fabricating massive steel tubes for a new Interstate-95 highway tunnel that will run beneath Baltimore Harbor. The completed tunnel will consist of four side-by-side mile-long tubes that will each accommodate two lanes of vehicular traffic... a total of eight lanes. Twin tube sections, weighing in excess of 1,500 tons, are fitted with watertight end plates and side-launched into the river for transit by tugboat to the Baltimore Harbor construction site. At the site tubes are lowered to the bottom and joined to other sections forming a continuous tunnel complex from shore to shore. This manufacturing contract, largest in the Company's history, involves the precision forming of some 60,000 tons of steel.*

Dominion Bridge Company, Limited is engaged principally in the manufacturing and worldwide marketing of:

Energy Products, Services and Systems – Generation and transmission equipment for conventional, nuclear, hydroelectric and waste conversion systems; offshore petroleum production and distribution systems; coal handling systems; drilling equipment.

Engineering and Construction Services – Turnkey petroleum refineries, petrochemical and industrial plants; pre-engineered buildings; tunnel tubes; marine vessels and equipment.

Industrial Products – Aerospace and auto components; industrial fasteners; food processing and packaging machinery; hydraulic components and systems; metal forming machinery; industrial and shipyard cranes.

Special Construction Products and Equipment – Excavators; cranes and derricks; compaction equipment; concrete finishing equipment.

Steel Products and Services – Production, distribution, fabrication and erection.

Financial, Marketing and Licensing Services – Special financial, marketing and licensing services to promote sales of Company-produced products both domestically and overseas.

Dominion Bridge Company, Limited
1155 Dorchester Boulevard West
Montreal, Quebec H3B 4C7

The Company was continued under the Canada Business Corporations Act effective May 8, 1980. (Incorporated under the Companies Act of Canada, July 30, 1912. As successor to a company of the same name incorporated 1882.)

Shareholders' Meeting

The annual general meeting of shareholders will be held in the auditorium of The Royal Bank of Canada, Place Ville Marie, Montreal, on Tuesday, April 28, 1981 at 11:30 a.m.

Other Reports Available

Copies of previous annual reports and quarterly statements and the latest pictorial review *The World of Dominion Bridge/AMCA* may be obtained by writing to the Secretary, Dominion Bridge Company, Limited, 1155 Dorchester Boulevard West, Montreal, Quebec H3B 4C7.

Rapport Annuel 1980

Si vous désirez recevoir un exemplaire de ce rapport, des rapports précédents et des sommaires des résultats trimestriels en français, veuillez vous adresser au secrétaire, La Compagnie Dominion Bridge, Limitée, 1155 ouest, boulevard Dorchester, Montréal, Québec H3B 4C7.

Koebring Company was acquired in 1980. Workman (right) makes final adjustments on large hydraulic excavator at Milwaukee plant. Inset (above) shows a walk-behind BOMAG vibratory roller used for stabilizing and smoothing soil in newly dug trench. See Pages 34-35 for introduction to Koebring.

Financial Highlights*
(Stated in millions)

	1980	1979
Sales and other revenue	1063.1	934.2
Operating income	45.3	37.5
Net income	47.3	54.5
Cash (net of short-term borrowings)	38.3	141.8
Total assets	979.5	736.6
Long-term debt	163.4	114.8
Shareholders' equity	341.4	315.3

Per Share Data
(Stated in dollars)

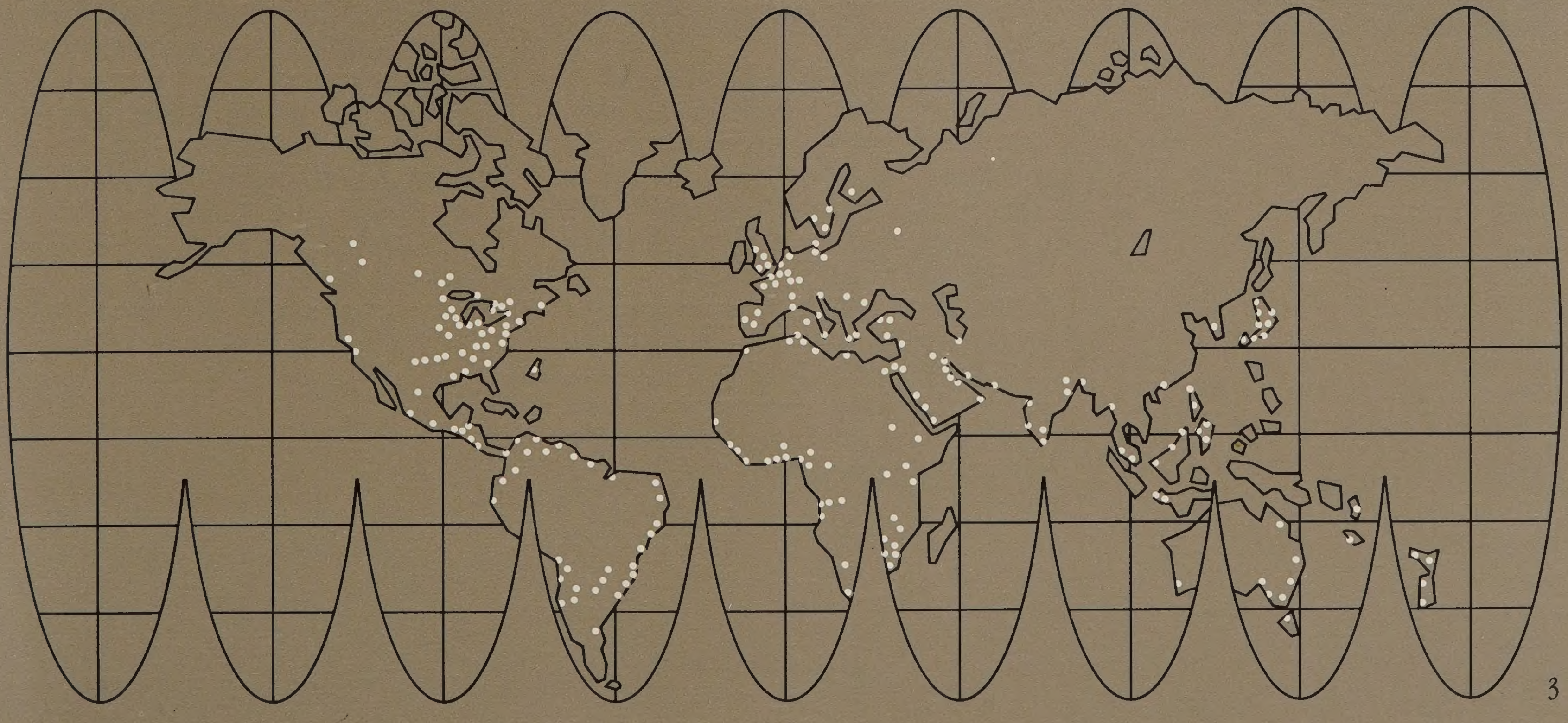
	1980	1979
Operating income	1.69	1.62
Net income	1.76	2.34
Cash flow from operations	2.20	2.31
Dividends (in Canadian dollars)	1.00	0.80
Book value	12.71	11.84

Per share data, except book value, has been calculated based on the weighted average shares outstanding during the year.

***Unless otherwise specified, *all* figures in this annual report are stated in U.S. dollars. 1977 to present stated in U.S. dollars. 1976 and prior years stated in Canadian dollars.**

The World of Dominion Bridge

Shown on this map of the world are locations indicative of the Company's widespread manufacturing, sales, distribution and licensee facilities. Although not included on this map, over 2,000 independent businesses around the world market, distribute, service and/or erect one or more of the Company's product lines.



Management's Report to Shareholders

K. S. Barclay, Chairman and Chief Executive Officer

Record revenues and operating income ... revenues up 14 percent ... operating income up 21 percent ... all units close year in the black except Dominion Bridge-Sulzer which suffered four-month strike ... Koehring Company acquired ... $130 million tunnel tube contract secured ... new plant for Varco-Pruden being constructed in Missouri ... Canadian and overseas joint ventures offer access to new business potential ... disappointing results in car-related businesses and international engineering ... anticipate further growth and diversification in decade of the 1980's.

1980 was a significant year for Dominion Bridge. Highlights included:

> Record revenues and operating income for the thirteenth year in a row with the former at approximately $1.1 billion, up 14 percent and the latter at $45.3 million, up 21 percent over 1979.

> All of our key affiliates, subsidiaries and divisions operated in the black (with the exception of Dominion Bridge-Sulzer for strike related reasons as commented upon hereunder), including the Equipment Systems Division which, it will be recalled, had severe operating problems in the several prior years.

> An excellent contribution from a number of our business units including, but not limited to, Cherry-Burrell, Monroe, Varco-Pruden, AMCA Netherlands B.V. and Koehring, the Company's most recent acquisition (we obtained 100 percent of the shares as of the end of October).

> Continuing growth as a result of the Koehring transaction which increases annual sales by about 50 percent, or $500 million, with a corresponding significant addition to annual profit. In the process, we added to our management resources and to our product lines which have been further diversified and significantly expanded with greater international penetration resulting.

> Securing and commencing production, late in the year, of the largest manufacturing contract ($130 million) in our history. This major tunnel tube project, under Baltimore Harbor, is being executed over several years in greatly expanded and revamped facilities at Wiley Manufacturing, a unit of the Equipment Systems Division as referred to above. This contract, and other new business acquired, provides this Division with excellent potential for a good year in 1981 and beyond.

> Placing under construction in Missouri a new Varco-Pruden building manufacturing plant. This is the first "greenfield" facility embarked upon in some time.

> Entering into a joint venture with J. Ray McDermott, a world leader in the field, to carry out research, engineering, fabrication and construction of production platforms, and the installation of marine pipelines, for the offshore oil and gas industry in Canada. We believe this venture has significant long-term attraction.

> Bringing together our various engineering and construction units under a single management umbrella called The Litwin Companies. This move was designed to better position our Company to participate in the increase in heavy construction and engineering projects, worldwide, which will undoubtedly take place in this decade. As extensions of that concept:

> Span Holdings has agreed to form a joint venture Saudi Arabian company with Saudi partners who are well placed to carry out heavy construction work in that country. The objective is to perform work on petrochemical projects in keeping with our organization's total experience. Aside from the expected direct value of the venture, it should also produce useful engineering work for our Litwin offices in Houston, Wichita and Paris. Further,

> We have formed DB Engineers & Constructors, with offices in Calgary and Montreal. This unit combines the process design technology of The Litwin Companies with Dominion Bridge engineering, construction and project management capabilities to offer a complete engineering and construction service to Canadian industry, with particular emphasis in the field of coal, gas and oil processing.

> The sale, last March, of Reliance Products, a manufacturer and distributor of baby products and accessories. Neither the Reliance product line nor the markets it served were compatible with our expertise and concentration in heavy industrial, metals-oriented products and engineering services. That divestiture generated about $8 million cash, a net after tax profit of $3.5 million and will have no material impact upon future sales or earnings.

> Substantial progress in the overall management and direction of our efforts resulting from the bringing aboard of a number of key operating managers in addition to those succeeded to in the Koehring acquisition.

> Substantial new business booked during the year exceeding by a wide margin that obtained in any comparable period in our history. As a result, we ended 1980 with a backlog of work to be completed of $744 million compared with $509 million at the end of 1979. We have, since the first of the new year, continued to book work at an attractive rate.

> Dividends to shareholders were paid quarterly in Canadian dollars totaling $1 per share versus 80 cents in the previous year. Consistent with the

fact that the Company's financial results are reported in U.S. dollars, which reflects the significantly changed nature of the Company's affairs in recent years, the Directors recently approved paying dividends in U.S. dollars and accordingly a dividend was declared of 25 cents (U.S.) per share for the first quarter of 1981, payable March 31 to shareholders of record March 6. That effectively represented about a 20 percent increase having regard to exchange rates on the date of declaration.

> Whereas income from operations, as noted above, was at a record high, final earnings of $47.3 million were down $7.2 million from the previous year as a result of increased unrealized foreign exchange costs of $5.2 million, and particularly as a result of gains on divestitures totaling $3.5 million in 1980 in contrast to $13.4 million in the preceding year.

If we turn to disappointments in 1980, several should be commented upon:

> The automotive sector of our operations contributed usefully to our results in 1980, albeit not to the extent that they did prior to mid-1979 when the U.S. automotive industry enjoyed better fortunes. The industry appears to be addressing its problems but a return to past levels of profitability will be prolonged.

> Our engineering business based in France, which several years ago contributed handsomely to profits, remains in need of work. A number of major projects are being actively pursued. Hopefully the latter, in combination with other developments referred to above, will improve the current level of profitability in this business in the period ahead.

> The Dominion Bridge-Sulzer joint venture in Canada, formed in late 1979 with the sale of 49 percent of our Quebec-based interests to the Sulzer organization of Switzerland, had a disappointing year as a result of a costly four-month work stoppage. The strike was settled last November 10 within the parameters of a company offer made months previously. It should be noted that this operation booked significant business during 1980 which should help the transition to the engineering, production and sale of an expanded, more sophisticated product line in future years as commented upon in earlier reports to shareholders. In the longer term, we feel there is attractive potential for this new partnership.

If we turn to 1981 and address conditions in the North American business environment, before we deal with our particular circumstances, we believe the U.S. and Canadian economies will perform in an indecisive fashion for most of the year. At this point in time we perceive minimal recovery from the depressed conditions of 1980 with little real growth anticipated in Canada or the United States.

Notwithstanding that general scenario, we believe our Company is on track with respect to the ultimate attainment of its objectives for the new decade of the 1980's. Those objectives are set forth elsewhere in the following pages. Further, we are well positioned currently and with respect to the period ahead which opinion, in part, reflects the backlog circumstances described above. In the latter context, fourth quarter 1980 income from operations was up 94 percent over a year ago.

We anticipate further growth and diversification of our affairs in the current year as a result of the continuing execution of our strategic plans and feel confident that those businesses presently owned will produce sales and income in 1981 substantially greater than in 1980.

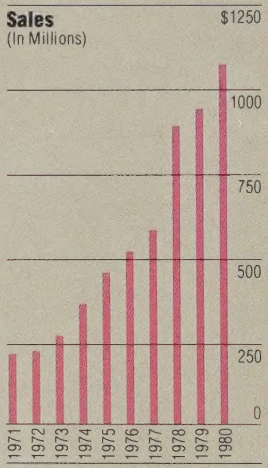
The accompanying Annual Report elaborates on a number of facets of our affairs in addition to presenting the financial statements and a detailed review of same for 1980. We encourage your review of this material.

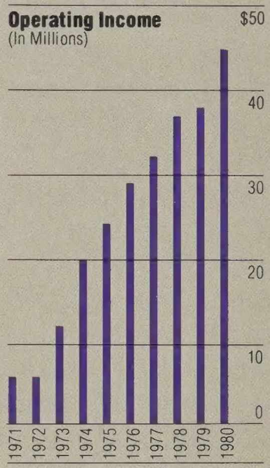
In concluding, we would be remiss in not observing that any success we have enjoyed continues to be due in large measure to our employees, our customers, our Board of Directors and our shareholders. We thank all of them for their loyalty and support.

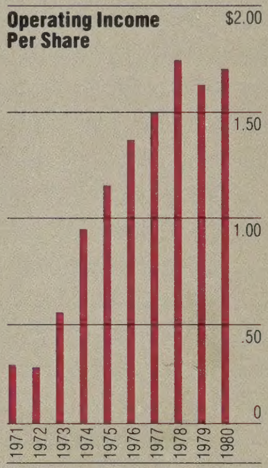
K.S. Barclay
Chairman and Chief Executive Officer
March 27, 1981

The Dominion Bridge Operating Philosophy and Objectives

Towers at oil refinery designed and built by Litwin Engineers & Constructors symbolize the Company's active involvement in the worldwide energy industry.







Pre-1970, Company produced structural steel for Canadian market... by planned acquisitions and internal growth it now produces diverse industrial products and provides services worldwide.

Philosophy: Acquire for balanced diversification... straddle industries and markets... avoid single nation/single industry dependence... avoid catastrophe... beat current business plan... organize for profit improvement.

Objectives: By the end of the 1980's – sales of $5 billion and operating income of $270 million... continuing planned growth and development both internally and by selective acquisitions.

Philosophy: Dominion Bridge, formed in 1882, was, prior to 1970, essentially a structural steel fabricator serving the Canadian market. At the beginning of the 1970's the Company embarked on a program aimed at growth and diversification within the scope of its expertise – the design, engineering and manufacture of steel-based products and services marketed primarily to industrial customers. That program has since produced substantial growth and diversification, largely in the United States. As the 1980's commenced, the Company concluded the purchase of Koehring Company adding many more manufacturing locations to its North American base and further strength to its international activities with new locations in Europe and elsewhere in the world.

The acquisition program, founded on the principle of balanced diversification, helps protect against economic cycles and product obsolescence while promoting participation in new markets and technologies. The overriding philosophy: maintain the broadest posture possible – straddle a number of industries and international markets – avoid the instability and unfavorable consequences invariably associated with single-industry/nation identification.

The Company allocates resources (manpower, money and materials) accordingly and invests for "return" – avoiding emotional attachments to any product or physical location – recognizing that each has its day in the sun. Continuing stress is placed on margins (profitability) and turnover (asset utilization relative to volume generated) to maximize return on investment. At any point in time, management is guided by three basic priorities: avoid catastrophe – meet and beat the current business plan – organize for future profit improvement.

Objectives: Prior to the beginning of the 1970's, the Company was operating at an annual sales level of $168 million. Operating income was $4 million. Management set out to improve those results and to grow the organization through acquisitions and internally generated growth – with the objective of achieving one billion dollars in sales by the end of the 1970's, generating income of $50 million net from operations (all as expressed in Canadian dollars at that time). These were ambitious goals and indicated that, over the ten-year target period, the Company must increase sales and earnings at average annual compound rates of 20 percent and 30 percent respectively. In the final analysis, those objectives were, as a practical matter, met. Over the course of the most recent ten-year period which concluded December 31, 1980, the Company:

– multiplied sales fivefold, and
– increased operating income sevenfold.

While achieving those results, the Company:

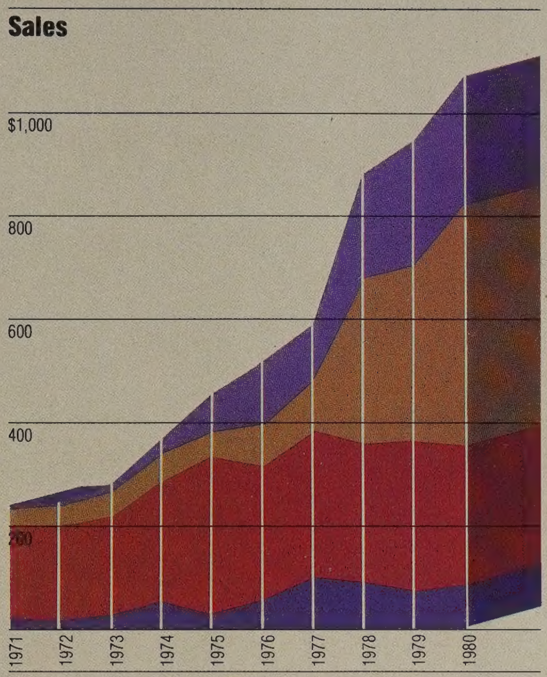
– improved the quality of its earnings;
– developed an exceptionally capable management organization in its operations and at corporate staff levels;
– acquired industry strengtheners and entered new industries compatible with its basic skills;
– made the Company better known and more highly regarded;
– achieved solid progress in the vital area of return on shareholders' equity.

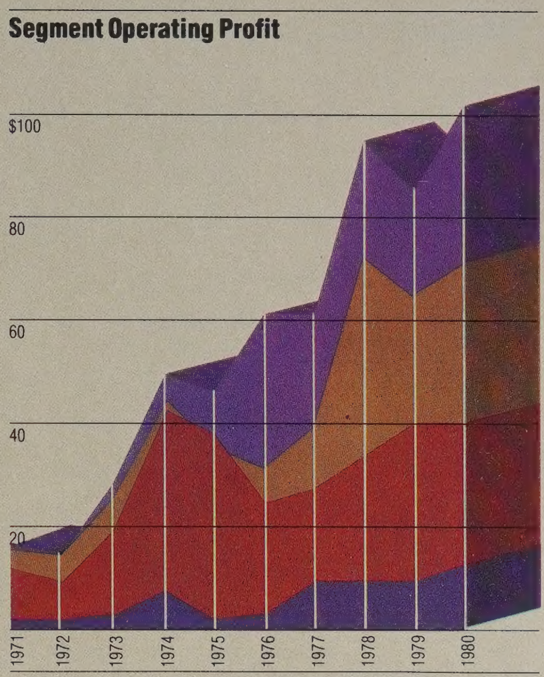
Continuing execution of the Company's plans will provide an even wider range of industrial, steel-based products and services of quality for a widening spectrum of customers and prospects.

In the context of the preceding observations, as was the case at the beginning of the 1970's, the Company has worked out a strategy and related tactics for growth and development in the next ten years. As reflected in those plans, the Company has targeted to reach, by the end of the 1980's, sales of $5 billion and operating income of $270 million. Good progress toward these new goals was achieved in 1980, the first year of the new decade, partly reflecting the purchase of Koehring. The latter acquisition, on an annualized basis, should increase the Company's sales by about 50 percent and result in a corresponding significant addition to net income.

As in the past, the Company will continue to track progress relative to objectives in future annual reports.

Sales and Segment Operating Profit
(In Millions)





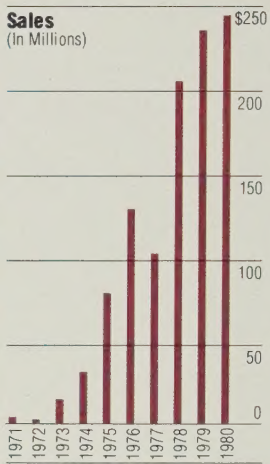
		Industrial Products		Construction and Engineering Products And Services		Steel Products And Services		Special Products And Services		Total	
		$	%	$	%	$	%	$	%	$	%
Sales	1971	8	3	27	11	185	80	15	6	235	100
	1972	7	3	35	15	183	77	12	5	237	100
	1973	18	7	49	18	193	69	18	6	278	100
	1974	35	9	55	15	235	64	45	12	370	100
	1975	81	18	54	12	300	65	24	5	459	100
	1976	131	25	80	15	259	50	50	10	520	100
	1977	104	18	96	17	287	49	94	16	581	100
	1978	206	23	323	37	270	31	84	9	883	100
	1979	239	26	339	36	287	31	69	7	934	100
	1980	247	23	466	44	272	26	77	7	1,062	100
Segment Operating Profit	1971	1	6	3	19	10	63	2	12	16	100
	1972	–	–	5	36	7	50	2	14	14	100
	1973	2	8	6	22	16	59	3	11	27	100
	1974	6	12	2	4	35	70	7	14	50	100
	1975	11	24	(2)	(4)	35	76	2	4	46	100
	1976	30	50	7	11	21	34	3	5	61	100
	1977	22	36	12	19	18	30	9	15	61	100
	1978	23	24	38	40	25	26	9	10	95	100
	1979	22	26	24	28	31	36	9	10	86	100
	1980	30	30	31	30	28	28	12	12	101	100

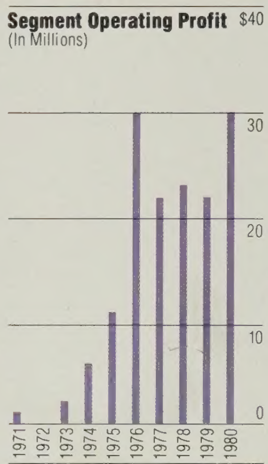
Segment operating profit is further defined in Note 12 to the Consolidated Financial Statements. 1977 to present stated in U.S. dollars. 1976 and prior years stated in Canadian dollars.

Industrial Products

Rolled rings forged from unique steel alloys at Monroe Forgings in Rochester, New York are tested to assure their molecular integrity. Rings are used extensively in aircraft jet engines.

Computer-controlled container handling crane built by Morgan Engineering can locate, select and pick up any one of hundreds of containers in 16-acre port yard in just over a minute. Crane is first of its kind in the world.





Results: Sales of $247 million were three percent higher than for 1979 and operating profit of $30 million was 36 percent higher. Sales were strong in such products as: fluid processing and packaging machines, valve systems, industrial cranes, metal forming machines and forged alloys. Sales and earnings were down as anticipated in automotive-related fasteners, insulation and foam cushioning. Of major importance for profits in the years immediately ahead was the booking of the $130 million Wiley tunnel tube contract.

Outlook: As the U.S. economy strengthens, increased demand is anticipated for components for the construction, appliance and automotive industries. Increased expenditures for aircraft are expected to hold demand high for Fenn machined parts and Monroe forged alloys. Rising use of coal bodes well for growth at Clyde. Wiley will have a very active year mainly producing the above noted tunnel tubes. Morgan's entry into production of pumping units for the U.S. oil industry holds good promise for this unit. Cherry-Burrell's continually increasing activity in the international carton filler market should offset reduced domestic sales.

Cherry-Burrell. Producer of fluid processing and packaging equipment for the dairy and beverage industries. A leading manufacturer of carton filling machines. For the fifth consecutive year since its acquisition, this unit exceeded the previous year's performance in sales and operating income. Cherry-Burrell continues to improve its overseas carton filler business. It is having good success penetrating the U.S. beverage and fluid handling industry with unique manifold valve systems which, for the first time, enable fluid processors to run dissimilar fluids through two sections of a single valve simultaneously.

Engineered Fasteners Division. Designer and manufacturer of proprietary fasteners for automobiles, appliances and construction. Since this business primarily serves the needs of the automotive industry, its domestic volume slackened through the year. The Division made substantial progress in supplying special fasteners for new front-wheel-drive automobiles. A.D. Bancroft, former president of the Continental Screw unit of the Division, was named president of the Division, succeeding G.A. Bentley who retired.

Equipment Systems Division. Includes Clyde, manufacturer of Whirley cranes; Morgan Engineering, producer of heavy-capacity overhead cranes for the steel and electric utility industries; Provincial, Canada's largest manufacturer of industrial overhead cranes; and Wiley, producer of vehicular tunnel tubes, work boats and crane parts. The year was one of rebuilding for the Division as it moved from a substantial loss in 1979 to profitability in 1980. Unquestionably, the most important event for the Division was the winning of a $130 million contract to fabricate tunnel tubes for the new interstate eight-lane, mile-long vehicular tunnel under Baltimore Harbor which will entail fabrication of about 60,000 tons of steel plate and will continue into 1983 before being completed. The Wiley yard has undergone a $12 million upgrading including the erection of Varco-Pruden buildings and installation of new Clyde Whirley shipyard cranes.

Steadily increasing coal handling activities in the United States spurred demand for Clyde cranes in 1980. Resulting sales boosted earnings for the year.

Morgan's year was one of regrouping. Morgan's business in cranes and related equipment used in steel making has suffered in the face of that industry's depressed status. However, steps have been taken to broaden Morgan's product base. Morgan will introduce a line of large pumping units for U.S. oil fields. In another area, Morgan completed installation of a computer-controlled container handling crane system – the first of its kind in the world. J.R. Stadelman was appointed general manager of Morgan.

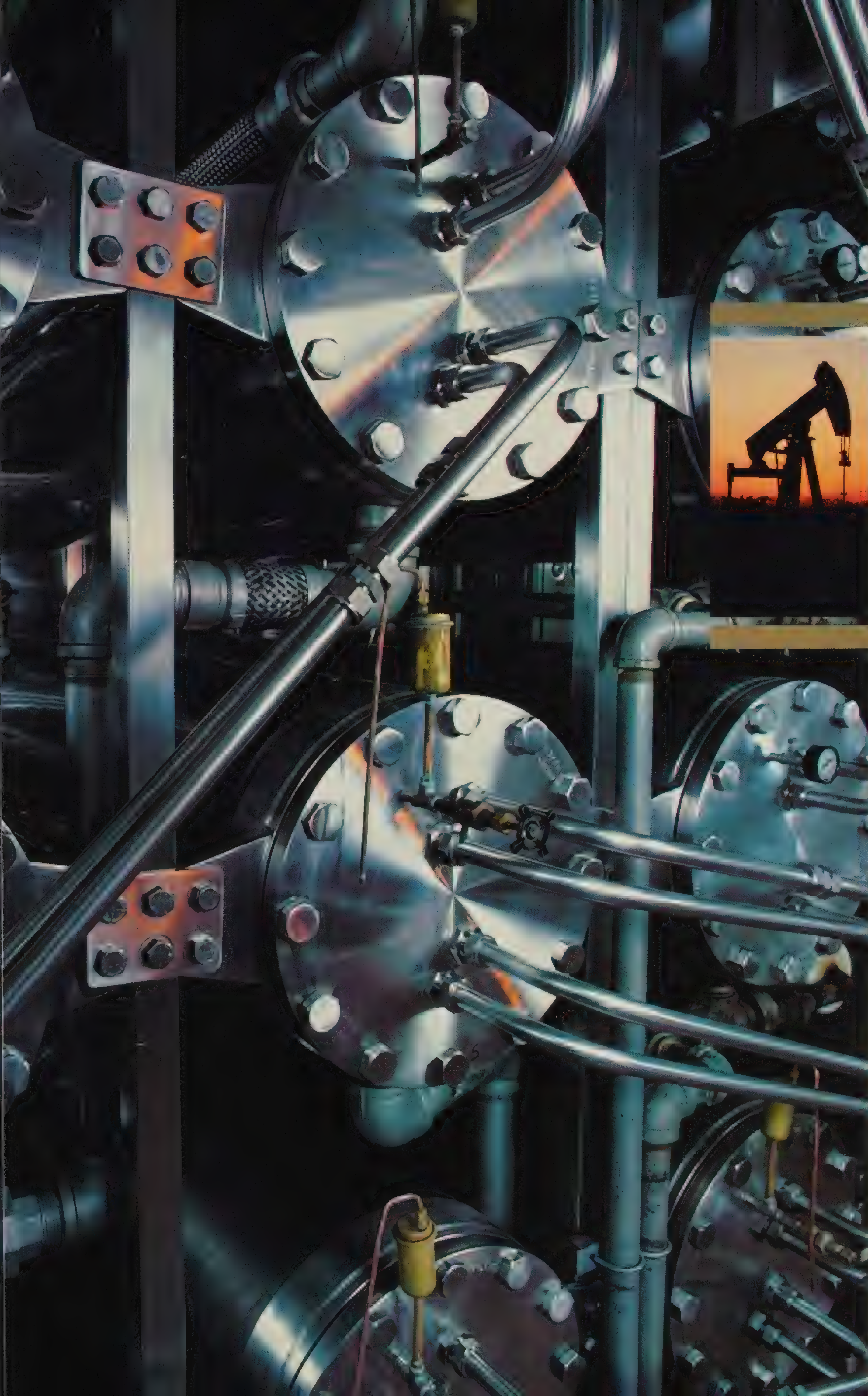
The market for Provincial overhead cranes for the steel and forest products industries was brisk during 1980. This unit's sales and earnings moved sharply upward as compared with 1979 and it entered 1981 with a strong backlog of orders.

Fenn Manufacturing. Producer of metal forming machinery and precision aerospace components. Despite record backlog levels entering 1980, Fenn's earnings were less than expected due to production startup problems on aircraft components. While the unit's area of greatest strength in 1980 was its machinery business, it proceeded toward completion of a major plant expansion aimed at doubling production capacity in the aerospace component machining business. M.L. Hansen was named president as A.S. Nippes, formerly president, became chairman.

Janesville Products. Manufacturer of molded foam seats and fibrous underpadding for automobiles. Its tie to the troubled automotive industry caused Janesville to suffer a downturn in business during 1980. One benefit that Janesville derives from the current trend toward smaller vehicles is that each car requires new uses for padding for both sound and thermal insulation.

Monroe Forgings. Alloy metals forged by Monroe are basic to the manufacture of jet engines, corrosive-resistant parts, machine tools and bearings. This unit enjoyed another record-breaking year in both sales and earnings. Demand from aircraft engine manufacturers for its specialized forgings was strong and is expected to continue throughout 1981.

Note: Included in 1980's financial results are four months' sales and earnings from the following Koehring hydraulic component units: Benton Harbor Engineering, HUSCO and Pegasus which are now part of the Company's Industrial Products activity. See pages 34-35 for an introduction to Koehring.



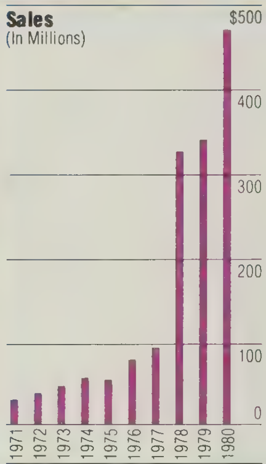
A multitude of proprietary fasteners, each for a very specialized purpose, is manufactured by Engineered Fasteners Division at plants in New Bedford, Massachusetts and Chicago, Illinois. Fasteners are used by the automotive, appliance and construction industries.

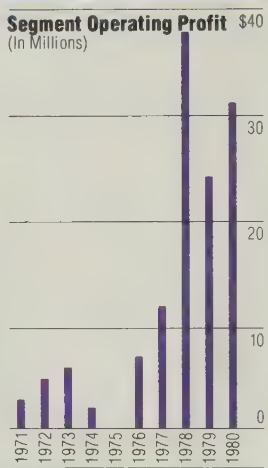
Tubular heat exchangers by Cherry-Burrell are used here for mass production of starter concentrates used by manufacturers of cheese and other cultured products. Stainless steel units provide a completely sealed, pressurized, sterile atmosphere with high velocity product flow and precise, ultra-high temperature control needed for aseptic processing.

Pumping units (inset above) for U.S. oil fields are a new product to be manufactured by Morgan Engineering at its Alliance, Ohio plant.

Construction and Engineering Products and Services

This taconite pellet storage and transshipment terminal on the Ohio shores of Lake Erie, newest in the U.S., was designed and built by ORBA. Pellets are received via giant self-unloading vessels and shipped out by water or rail. Taconite is the basic substance used to manufacture steel.





Results: Sales of $466 million were 37 percent higher than for 1979 while operating profit of $31 million was 29 percent higher – resulting largely from the positive impact upon this area of the Company's business by the acquisition of Koehring Company, four months of whose 1980 sales and operating profit are included in these results. This segment of the Company's business was negatively affected by inflation, high interest rates and general unrest in the world – particularly in the Middle East. Nonetheless there were bright spots with Varco-Pruden and IMODCO standout performers against plan in both sales and earnings.

Outlook: This sector of the Company's business is expected to move ahead in 1981 as: IMODCO participates more in movement of slurry and liquefied propane gas products and introduces new turnkey design/construct services for offshore production systems; Varco-Pruden steps up domestic and international business, its new profit center comes on-stream, and it utilizes a variety of imaginative programs to boost sales; ORBA works record backlog of booked orders; The Litwin Companies in Middle East and other promising international markets.

IMODCO. Designs, manufactures and markets some 45 percent of the world's single point marine (SPM) terminals for mooring, loading and unloading liquid cargo ships offshore. IMODCO exceeded both its earnings and volume plan for the year with sales that were more than twice those of 1979. It won an order for an offshore crude oil loading and bunker complex for Abu Dhabi, including an SPM, underwater pipe, floating hoses and ship modification. This is the largest project ever sold by IMODCO and holds promise for further expansion. Offshore California a 500-foot deepwater IMODCO mooring yoke terminal was successfully installed – the first and most complex SPM of its type in the world. The system, with its storage vessel in position, was scheduled to be completed in March 1981. IMODCO continues to explore new systems, methods and markets to offset increased competition in more mature product lines.

The Litwin Companies. Provide turnkey engineering and construction services for the petroleum and chemical processing industries both in North America and abroad.

Litwin U.S. Continues its primary business of upgrading petroleum refineries to improve crude oil production capacity and step up gasoline octane levels. During the year its petrochemical business was down moderately due in part to cancellation of one major project and a slowing of construction programs due to general economic conditions. As noted elsewhere in this report, it will also benefit from the establishment of the joint venture in Saudi Arabia which is expected to provide effective entry into engineering and construction projects in that country.

Litwin S.A. Similar in function to Litwin U.S. but with greater concentration on chemical process facilities and operating in world markets, especially Europe, Africa, the Middle and Far East. This unit had a down year with sales and earnings depressed relative to performance in prior years. There is cause for some optimism in that this unit currently has several substantial process plant projects at the bid stage in Europe, Egypt and China.

JESCO. An open shop contractor in the light industrial, commercial and processing fields. While affected by high interest rates, JESCO's earnings were well ahead of 1979.

ORBA. Provides turnkey engineering and construction services for handling and transporting bulk materials as well as operating services at completed facilities. ORBA had a full workload and sales were up nearly ten percent while earnings increased approximately 50 percent, compared with 1979. Much of the work ORBA does is in the area of coal handling. The current trend toward increased use of coal in both solid and slurry form points to good potential business for this unit. It entered 1981 with a record backlog.

Varco-Pruden. The world's second largest manufacturer of pre-engineered building systems. Varco-Pruden had a very good year in light of economic conditions that slowed most of its competitors in the metal buildings and construction industries. Overall, manufacturers in the industry operated their plants at less than 55 percent capacity. Varco-Pruden, with a much higher level of capacity utilization, captured a record share of the available market – a credit to its outstanding management team.

During the year this unit established an in-house construction services division to supplement existing national account sales and to provide large customers with complete design/construct capabilities. The new division works in conjunction with Varco-Pruden's more than 600 authorized builders around the country.

An important business move made during the year was ground-breaking for a fifth profit center, a plant in St. Joseph, Missouri which, when operational in mid-1981, will supply product to the Plains States – between the Mississippi River and the Rocky Mountains.

Note: Included in 1980's financial results are four months' sales and earnings from the following Koehring units which are now part of the Company's Construction & Engineering Products & Services activity: compaction equipment; hydraulic cranes; hydraulic excavators; light construction equipment; pile drivers. See pages 34-35 for an introduction to Koehring.

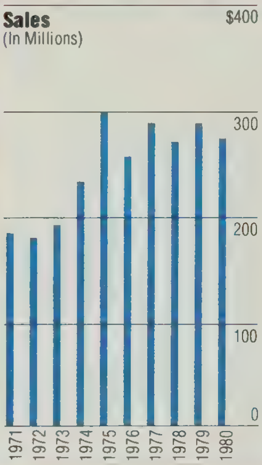
In crush for more efficient production of oil products in the United States, Litwin Engineers & Constructors helps the industry upgrade refineries to improve crude oil refining capacity and step up gasoline octane levels.

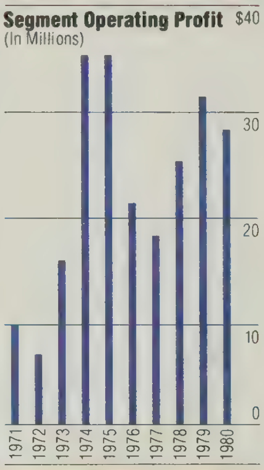
IMODCO single point mooring terminal (foreground) operates 90 miles offshore in the Gulf of Mexico. Terminal efficiently transfers crude from nearby oil drilling rigs to storage/process vessel (right), saving laying of undersea pipelines to shore at $2 million per mile. Shuttle tankers move crude to shore-based operations for refining and processing.

Versatility of Varco-Pruden pre-engineered buildings (inset above) makes possible their use in a wide spectrum of applications. Under construction here is largest of ten Varco-Pruden buildings that will be part of modern sawmill complex in Georgia.

Steel Products and Services

Dominion Bridge steel construction capabilities stem from the Company's earliest years in business. Company crews are called upon regularly for steel erection and installation of massive and complex systems for major steel, energy and process industry customers throughout Canada and also in the United States and overseas.





Results: Sales of $272 million were five percent lower than for 1979 and operating profit of $28 million was 10 percent lower. In Canada, similar to the U.S., continuing inflation, high unemployment, and high interest rates in 1980 slowed economic growth. In general, prices for steel products were depressed, due in part to over-capacity in the industry, particularly in Eastern Canada. Bright spots were predominantly in energy-related projects. The Company's business in Western Canada was generally strong due to the current surge in commercial building and in construction for the forest products industry.

Outlook: Several indicators point to 1981 as a year of significant improvement: aggressive new business development projects within the Company – upgraded rolling mill, foundry, steel service centers and fabricating facilities; a sluggish but improving national economy, and entrance into 1981 with backlog up nearly 31 percent over a year ago.

Steel Production. Shortening of lead times and reduced customer inventories resulted in a general easing of demand for steel throughout Canada during 1980, beginning in the spring and continuing through the summer. This caused tonnage shipments by the Company's Manitoba Rolling Mills to fall some ten percent below those of 1979.

The mill improvement program, begun in 1979, was completed, resulting in a 20 percent increase in annual production capacity to 250,000 tons of bar and structural sections. The project, however, required a longer shutdown of the melt shop than planned and necessitated the outside purchase of billets. The combination of additional operating expense plus deterioration in customer demand resulted in somewhat lower profitability than originally targeted.

Steel Service Centers. While demand for steel at the mills eased substantially, demand for all products except sheet remained strong. This was short-term demand, however, stemming from dwindling customer stockpiles plus the high cost of money. Profitability fell throughout the industry as inventories in the first quarter became too high relative to reduced lead time at the mills. Resulting liquidation accompanied by falling margins bottomed out by year-end. The Company is considering the merits of expanding three steel service centers and of increasing shape cutting facilities at four centers to meet what is perceived to be future demands.

Steel Fabrication. Demand for fabricated structural steel, joists and platework declined from the prior year's peak level with margins depressed as the industry operated at about 75 percent of capacity.

Fortunately, Company plants in Western Canada maintained their activity and built backlog due to continued strong demand in British Columbia, Alberta and Saskatchewan. The pace of construction held up well with Company work proceeding on a number of commercial buildings as well as specialized high technology structures such as the Poplar River thermal power station, the largest ever built in Saskatchewan. In anticipation of continued demand in that area, work has begun to modernize the Edmonton foundry. This should result in a tripling of output and represents a major step in the Company's effort to double production of pumpjacks to meet anticipated demand from the western oilfield market.

Despite somewhat lower demand in Eastern Canada, plant activity was up and the Division ended the year with backlog up 40 percent over year-end 1979. Dominion Bridge-Sulzer began a number of substantial construction projects in the United States including building in Boston of the Long Wharf Hotel and a new athletic complex for Massachusetts Institute of Technology. This unit is also building a new IBM facility in Burlington, Vermont, while near St. Louis, Missouri it has contracted to construct a General Motors plant. In the Maritimes, Robb Engineering experienced a relatively difficult year due to a combination of stepped-up competition plus a reduced volume of available work. The second half of the year was, however, a period of upward movement.

In Quebec a four-month strike at the Dominion Bridge-Sulzer plant in Lachine severely affected 1980 results. Despite this, bookings at this operation continued strong and the year-end backlog reached a record high. Following settlement of the strike ground was broken for the new hydraulic production facility and completion is expected in ample time to meet commitments for installation of the revolutionary Straflo hydraulic turbine-generator to harness Bay of Fundy tidal flows. This Nova Scotia facility is scheduled for commissioning in July 1983.

Engineering and Construction. Late in the year, as elsewhere commented upon in this report, the Company announced formation of DB Engineers & Constructors. This new unit, with offices in Montreal and Calgary, will offer the Company's growing engineering and construction expertise to Canadian process industry customers in coal, gas, oil and general heavy construction.

Earthwork progresses at Annapolis Royal, Nova Scotia in preparation for construction of new hydroelectric plant to harness tidal flows. Heart of the generating system will be a Straflo hydraulic turbine being manufactured and installed by Dominion Bridge-Sulzer. Project is scheduled for completion in 1983.

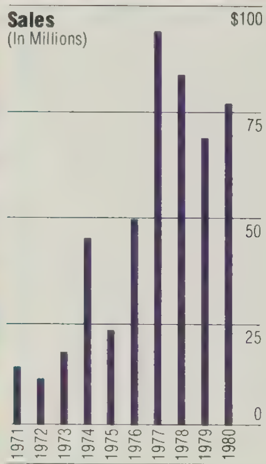
New Massey Hall, a $39 million concert hall in downtown Toronto, is a major achievement of engineering and construction. It features a unique curtainwall of tempered double-glazed panels mounted on a canopy of welded tubular netting. Dominion Bridge fabricated and erected the steel for this impressive building which is scheduled for completion in 1982. View illustrates the complexity of structural steel in the roof of this new building.

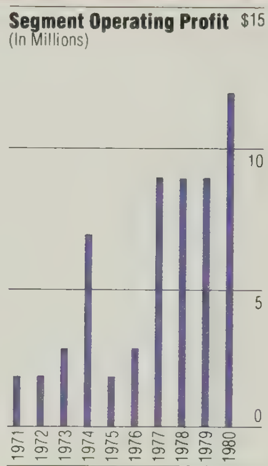
Skill at fabricating heavy plate steel (inset above) into a variety of end products for industry is a Dominion Bridge specialty. The Company is a recognized world leader in the science of welding steel and supports ongoing development at its Lachine, Quebec welding research center.

Special Products and Services

This sector of the Company's business is heavily involved in transactions outside North America. It is a focal point for the Company's limited involvement in manufacturing and selling consumer products. In future annual reports this section will discuss at greater length several of the specialty products and financing services very recently added to the Company as part of the Koehring acquisition (financial services, forestry, drilling equipment and specialty heaters) and not discussed this year since these units have been part of the Company for only a few months.

Electric- and gasoline-powered chain saws manufactured by DESA are sold under both the Remington® name and private labels in North America and Europe.





Results: The financing arm provided significant assistance to many AMCA International affiliates in worldwide activities. Sales of light construction equipment declined with the economic slump in the U.S. New emphasis placed on the international sector and upon developing and marketing new consumer products. Pre-engineered building and international crane sales were soft.

Outlook: Financing activity should generate twice the volume of new business developed in 1980 and attractive profit margins. DESA will benefit from the impact of its new products in the United States and Canada plus expanded markets overseas. Bright outlook for Span as demand for raw materials in North America picks up and market development increases sales of pre-engineered buildings and cranes in Far East, Africa, Egypt and Middle East.

AMCA Netherlands B.V. From corporate headquarters in The Netherlands and through branches and subsidiaries, AMCA Netherlands B.V. is engaged in a range of business activities including those normally associated with an international holding company, licensing of proprietary patents and trademarks throughout the world, and providing steel expediting and related services – all in addition to its main activity of international financing.

During 1980, the financing arm provided significant help to many AMCA International Corporation affiliates by providing in-depth expertise and funds necessary to consummate certain major sales and to further develop growth. Since formation in 1979, AMCA B.V. has grown rapidly. Its existence enhances potential for profitable worldwide sales by the Dominion Bridge family of companies by providing access to competitive international industrial financing as a vital tool in the marketing of industrial equipment.

DESA. Manufacturer and marketer of specialized power tools for do-it-yourself consumers and professional contractors. While sales for 1980 were relatively unchanged compared with 1979, earnings more than doubled. As its U.S. construction tool business followed the downtrend of the economy, DESA placed heavier emphasis on consumer products and international markets. It undertook a major redesign of its Remington® gasoline chain saw line with special emphasis on quality, safety and consumer appeal. At year-end, DESA introduced a lightweight, low-cost, trigger-operated, powder-actuated tool for the construction industry.

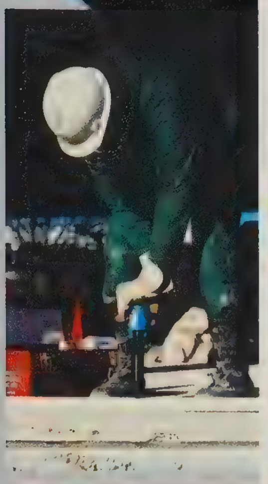
Span Holdings Limited. Span owns, or has under license, rights to market throughout most of the world a variety of AMCA International Corporation high technology products. These include Varco-Pruden pre-engineered buildings, Clyde Whirley cranes, ship deck equipment, hoists, derricks and barges. It also purchases, from worldwide sources, raw steel and other related materials and services for resale in North America and other parts of the world where it has established markets. In the process, Span provides a marketing service to units of Dominion Bridge and AMCA by alerting them to sales potential around the world.

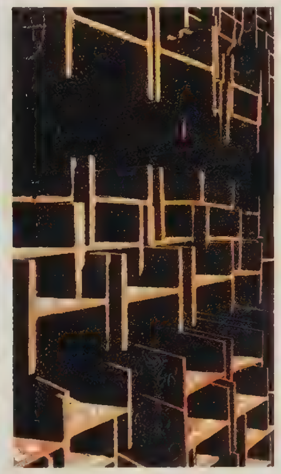
Although no major building contracts were booked during 1980, sales volume remained constant and margins held up well. A number of smaller orders were booked and shipped to the Far East, which has been a relatively inactive market in recent years. Activity remained moderate in the Caribbean and Middle East. At year-end certain major projects were in the bid stage.

Raw material sales were lower due to a slower North American economy as well as import constraints. International crane sales remained weak due to continuing softness in offshore oil production for most of the year.

Note: Included in 1980's financial results are four months' sales and earnings for the following Koehring units which are now part of the Company's Special Products and Financial Services activities: Woodlands, Speedstar and Atomaster. See pages 34-35 for an introduction to Koehring.

Span Holdings Limited purchases, from worldwide sources, raw steel and other related materials and services for resale in North America and other parts of the world where it has established markets.





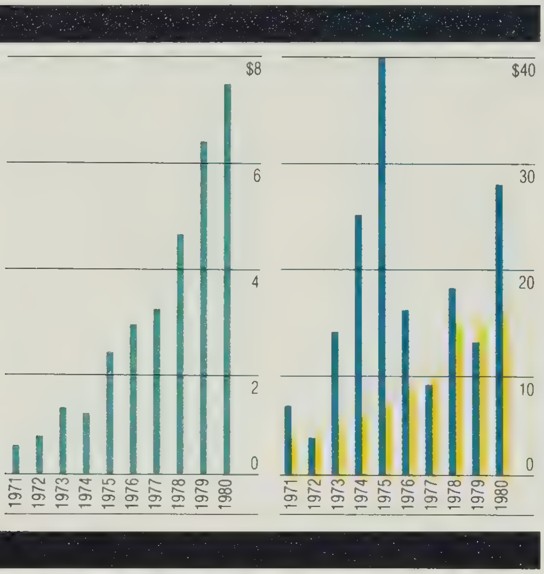
Span Holdings Limited markets Varco-Pruden pre-engineered buildings worldwide. During 1980 construction proceeded on a 227,000 square foot building in Guangdong Province, People's Republic of China. Building will house a plant for production of steel over-the-road and shipboard container units.

Contractors and consumers use DESA-manufactured powder-actuated tools (inset above) to anchor objects securely to concrete, cement block, mortar joints and light structural steel.

Profit Improvement

Research and Development Expenditures for Products, Processes and Systems
(In Millions)

Capital Expenditures
Depreciation
(In Millions)



Continuing profit improvement is a primary objective of the Company. Achievement of this objective is one of the accountabilities of each Company manager. Specific goals set annually are monitored at regular intervals to assure adequate efforts to reach and exceed them. Improved profits result from technology exchange, proprietary products development, quality assurance, new uses for computers and careful management of assets and capital investments.

The Company achieves improved profitability in a number of ways: applied research and development, adoption of new manufacturing technology, production of proprietary products, active quality assurance programs, effective computer utilization, judicious asset management and enlightened capital investments.

Research and Development. At its R&D Center the Company does applied research particularly in welding and fabricating steel. In 1980 two major metallurgical research projects, funded in part by the Canadian government, were completed. At Company operating units, new product development and improvement programs resulted in significant additions to, and changes in, many of the Company's product lines.

Computer Utilization. Professional assistance provided by the Corporate Computer Center in Memphis, Tennessee is having marked effect on a growing number of functions throughout the Company. During the year, computer capacity at Memphis was substantially upgraded to meet growing business demands of the Company. Productivity gains have been realized at many units through adoption of computerized material planning, on-line information systems, interactive graphics, numerically controlled manufacturing and automated engineering.

Asset Management. The Company is dedicated to a program of optimizing return on assets by aggressively managing the investment which the Company has in any business unit. The key measurement of each unit and its management is the return achieved on net assets employed.

Capital Investment. Each projected capital expenditure is carefully analyzed with respect to anticipated costs and associated benefits. About one-third of these expenditures is aimed at reducing production costs, one-third represents replacement and modernization, and one-third is for increased capacity, improvement of safety, health and environmental conditions and to improve product quality. Major expenditures are audited after implementation to determine if the benefits anticipated are achieved – and to help assure that related management actions are being implemented in a timely and effective way.

People: The Most Important Asset

Robert Dryden, corporate director of industrial relations, was one of several Company executives who addressed first management development program at Amos Tuck School of Business Administration, Dartmouth College.

Teamwork between management and shop employees is part of the Company's strength and basic to its continuing success. Effective cooperation is practical recognition of the philosophy that human resources are the Company's most important asset.

The Company's prime asset is its people. Fundamental to corporate strategy is the attraction, retention, development and replenishment of this basic asset. This is achieved through a variety of programs in recruiting, salaries, incentive compensation, fringe benefits, training, manpower development, employee relations and good working conditions.

Human Resources. Human resources are the Company's most important asset. Management recognizes that effective development, utilization and deployment of employees is essential in attaining Company-wide goals.

The Company has a Management Assessment, Planning and Development Committee consisting of senior executives which regularly reviews placement and development activities as well as personnel planning strategies. As a direct result of the committee's efforts during 1980, a substantial percentage of key division and corporate management openings that occurred during the year throughout the Company were filled by current employees.

During 1980 the Company conducted its first Management Development Program at The Amos Tuck School of Business Administration, Dartmouth College. The first class, which met for two two-week sessions on campus, totaled 20 key division and corporate management employees. The curriculum ranged from marketing to labor relations, from sales forecasting to organizational behavior, from finance to international business. The program was well received and the second Tuck course, with comparable participation, is scheduled in 1981. As was true in 1980, the 1981 course will be run by the Tuck faculty with Company management serving as guest speakers within their specific areas of expertise.

Manpower Development. The Company recognizes the critical need for trained personnel at shop, field and professional levels. To help fill its own specific needs, the Company maintains a Training Center in Montreal whose professional staff originates and conducts courses tailored to the development of promising employees. During 1980 a total of 600 employees attended training and development courses either at the Center or at operating unit locations.

Quarter Century Club. Employees of the Company completing 25 years of service are welcomed into the Quarter Century Club at the operating unit where they work. There are 27 chapters at Company locations in Canada, the United States and overseas with about 3,400 club members representing over 85,000 years of service!

Labor Relations. Two strikes occurred during the year, one of nearly four months duration at Dominion Bridge-Sulzer in Montreal and one of two months at an offshore construction project managed by Litwin. Eleven manufacturing settlements were reached, not including eight within the Koehring Company prior to its acquisition. Also, a two-year contract extension was voted at Wiley to facilitate its major tunnel tube project. No strikes occurred during the year at any of the Company's Canadian or U.S. construction sites. The Company expects to negotiate ten expiring contracts in the U.S. and nine in Canada during 1981.

The Company generally enjoys excellent relations with the widely diversified labor union groups with which it deals. There is good evidence that these amicable relations will continue, particularly as North American industry faces the sobering erosive effects of foreign imports upon the economy and the urgent need for greater productivity, higher quality products and improved overall competitiveness in world markets.

Health and Safety. Employee health and safety is a continuing concern of the Company. At each plant location there are specialists who help assure that procedures are carefully followed for on-the-job safety.

Ten Year Statistical Summary

	1980
Operating Results ($ Millions)	
Sales	1,062
Operating income before income taxes	70
Income taxes	25
Operating income	45
Unrealized currency translation gain (loss)	(2)
Gain on sale of assets – net of income tax	4
Net income	47
Dividends	25
Income retained	24
Financial Condition and Ratios ($ Millions)	
Working capital	236
Cash flow from operations	59
Net fixed assets	188
Depreciation	16
Additions to fixed assets	28
Long-term debt	163
Shareholders' equity	341
Return on average shareholders' equity %	14.4
Net income on sales %	4.5
Per Share Data ($)	
Sales	39.60
Operating income	1.69
Unrealized currency translation gain (loss)	(0.06)
Gain on sale of assets – net of income tax	0.15
Net income	1.76
Dividends (Canadian dollars)	1.00
Income retained	0.91
Cash flow from operations	2.20
Equity at year end	12.71
Shareholders and Employees	
Number of shareholders	5,810
Number of employees	16,235
Number of shares outstanding (thousands)	26,853

Data for all years has been adjusted to reflect the two-for-one stock subdivisions in November 1974, October 1976 and December 1979.

Per share data, except book value, has been calculated based on the weighted average shares outstanding during the year.

	U.S. Dollars			Canadian Dollars					
	1979	1978	1977	1976	1975	1974	1973	1972	1971
	934	883	581	520	459	370	278	237	235
	61	69	51	51	39	36	21	12	10
	23	32	19	22	15	16	9	6	4
	38	37	32	29	24	20	12	6	6
	4	(3)	(4)	–	–	–	–	–	–
	13	–	–	–	4	–	–	6	–
	55	34	28	29	28	20	12	12	6
	17	11	9	10	9	6	4	4	3
	38	23	19	19	19	14	8	8	3
	263	171	107	104	88	73	77	68	57
	54	51	40	40	37	32	19	10	10
	114	134	134	108	102	70	51	42	43
	15	15	10	9	7	6	5	4	4
	13	18	9	16	40	25	14	4	7
	115	139	104	31	32	20	22	10	10
	315	204	179	161	142	123	109	101	93
	21.0	17.8	16.5	19.0	18.2	17.1	11.0	6.1	6.8
	5.8	3.9	4.8	5.6	5.3	5.4	4.2	2.5	2.6
	40.06	41.42	27.29	24.45	21.65	17.48	13.14	11.28	11.26
	1.62	1.74	1.50	1.36	1.14	0.94	0.55	0.28	0.30
	0.15	(0.14)	(0.18)	–	–	–	–	–	–
	0.57	–	–	–	0.20	–	–	0.28	–
	2.34	1.60	1.32	1.36	1.34	0.94	0.55	0.56	0.30
	0.80	0.59	0.47	0.49	0.43	0.27	0.19	0.17	0.13
	1.63	1.09	0.88	0.87	0.92	0.67	0.36	0.39	0.17
	2.31	2.37	1.88	1.88	1.76	1.49	0.90	0.49	0.48
	11.84	9.56	8.44	7.58	6.74	5.82	5.15	4.82	4.43
	4,397	3,859	3,835	3,688	3,504	3,402	3,607	3,854	4,555
	13,336	13,595	8,995	10,313	11,166	9,087	8,122	7,152	7,256
	26,630	21,329	21,268	21,250	21,216	21,192	21,184	20,972	20,860

Summary of Results

1980 was a good year for the Company as elsewhere highlighted in this report to shareholders. In that context, the accompanying financial statement presentation provides increased information about the Company and the contribution to operating income from continuing operations.

For the thirteenth year in a row, the Company achieved record revenues and operating income (before gains on divestitures and unrealized foreign exchange costs), up 13.8 percent and 20.7 percent respectively over 1979.

Notwithstanding the improvement in operating income, net income of $47.3 million ($1.76 per share) was down 13 percent from $54.5 million ($2.34 per share) in 1979 as a result of $9.8 million lower divestiture gains in 1980 and a $5.2 million increase in unrealized foreign exchange costs. The latter items decreased 1980 earnings from 1979 by 65 cents per share with the aforesaid per share calculations based on a weighted average of 26.8 million common shares outstanding in 1980 versus a weighted average of 23.3 million in 1979. The share increase reflects 5.3 million shares issued in the second half of 1979 through a common share rights offering to shareholders.

The Company began the year with a backlog of $509 million, obtained new business during 1980 at record rates, had record sales and entered 1981 with a backlog of work to be completed of $744 million, about 46 percent higher than a year ago. The latter, as is perhaps self-evident, has positive implications for 1981.

Financial Position

Return on average shareholder's equity was reduced to 14.4 percent during 1980 compared with 21 percent in 1979 reflecting the significant increase in equity through the rights offering and the fact that the proceeds of that issue were not employed in operations in the manner visualized at the time of the issue – meaning until Koehring was acquired in September 1980. With the benefit of a full year in 1981, a substantial, if not complete, restoration of the reduction should reasonably be anticipated.

Shareholders' equity continued to grow and was $12.71 per share at December 31, an increase of 7.3 percent over 1979.

During 1980, dividends totaling $1.00 (Canadian) per share were paid versus $0.80 (Canadian) in 1979, an increase of 25 percent.

With the acquisition of Koehring and consolidation of the latter's long-term debt the ratio of equity to long-term debt at December 31, 1980 was 2.1-to-1 compared with 2.7-to-1 a year earlier.

Working capital decreased by $26.8 million in 1980 (reflecting the utilization of cash resources to purchase Koehring) and totaled $236 million at year-end resulting in a current ratio of 1.56-to-1 compared with 1.95-to-1 a year ago. Excluding cash, working capital increased $44.6 million from year to year.

The Company's effective tax rate on total pretax income for 1980 was 35 percent compared to 34 percent in 1979. A reconciliation of the major elements follows:

	1980	1979
Canadian and U.S. federal income tax rates	46.0	46.0
DISC deferral	(1.3)	(1.3)
Reduced rate on Capital Gains	(1.6)	(6.1)
Investment Tax Credit	(1.9)	(1.9)
Income from Foreign Operations taxed at reduced rates	(7.0)	(3.2)
Other	0.8	0.5
	35.0	34.0

Unrealized Foreign Exchange Costs

The Company has worldwide operations, accordingly, currency fluctuations can have a significant impact on reported net income. When foreign currencies depreciate against the U.S. dollar, accounting regulations require an accounting loss to be recorded but there is no corresponding cash outlay. This accounting treatment does not, in management's opinion, portray economic reality and it should be noted that the subject is under active review by the Canadian Institute of Chartered Accountants and the U.S. Financial Accounting Standards Board.

Financing

The focus of the Company's efforts during 1980 was to minimize net interest expense associated with existing debt. In spite of historically high interest rates and unprecedented volatility in short and long-term capital markets, the Company succeeded in reducing net interest expense by approximately five percent compared to 1979.

As a result of unsettled conditions in capital markets, no new financing was undertaken during the year. Long-term debt increased in 1980 by $49 million reflecting the assumption of $62 million of debt in the Koehring acquisition and the reduction of $13 million of long-term debt owing at December 31, 1979. The Company enters 1981 with approximately $350 million in unutilized borrowing capacity in addition to $96 million in cash resources detailed on the Consolidated Statement of Financial Position.

Dominion Bridge will continue to seek opportunities to selectively enter world capital markets with the objective of raising capital to fund continually expanding activities. In addition, capital funds will continue to be generated from internal sources and, where consistent with the Company's strategic operating plan, by the prudent and selective disposition of any part of its asset base not producing adequate returns. The Company continues to believe that the latter source of funds is important in optimizing return on invested capital, permitting as it does, reinvestment of the proceeds in other potentially higher growth situations.

Consolidated Statement of Income
Year ended December 31, 1980
(In thousands of U.S. dollars)

	1980	1979
Revenues		
Sales	$1,061,511	$934,190
Equity in pre-tax earnings of unconsolidated subsidiaries and affiliates (Note 3)	1,602	–
	1,063,113	934,190
Costs and expenses		
Cost of sales and operating expenses	967,333	847,543
Depreciation and amortization	18,902	17,460
Interest – net (Note 8)	7,345	7,713
	993,580	872,716
Operating income before income taxes	69,533	61,474
Provision for income taxes		
Current	32,884	14,117
Deferred	(8,667)	9,810
	24,217	23,927
Operating income	45,316	37,547
Unrealized currency translation gain (loss)	(1,579)	3,610
Gain on sale of assets – net of income tax (Note 4)	3,534	13,370
Net income	$ 47,271	$ 54,527
Earnings per share (Note 1)		
Operating income	$1.69	$1.62
Unrealized currency translation gain (loss)	(0.06)	0.15
Gain on sale of assets – net of income tax	0.13	0.57
Net income	$1.76	$2.34

Consolidated Statement of Retained Earnings
Year ended December 31, 1980
(In thousands of U.S. dollars)

	1980	1979
Balance at beginning of year	$223,966	$185,927
Net income for the year	47,271	54,527
	271,237	240,454
Dividends	22,823	16,488
Balance at end of year	$248,414	$223,966

See accompanying notes.

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1980
(In thousands of U.S. dollars)

	1980	1979
Sources of working capital		
Operations		
Net income	$ 50,271	$ 54,527
Add (deduct) items not affecting working capital		
Depreciation	10,152	14,954
Amortization	2,750	2,506
Decrease in deferred income taxes (noncurrent)	(937)	(123)
Pre-tax gain on sale of assets	(1,842)	(17,272)
Equity in net income of unconsolidated subsidiaries and affiliates	(765)	–
Other	(575)	(671)
Working capital provided from operations	59,054	53,921
Increase in long-term debt	–	50,072
Proceeds from sale of assets, net of working capital of $2,540 in 1980 and $23,042 in 1979	7,314	23,502
Issue of share capital	1,727	73,288
Other	1,818	–
Total working capital provided	69,913	200,783
Applications of working capital		
Acquisition of net noncurrent assets of Koehring		
Fixed assets	66,200	–
Investment in unconsolidated subsidiaries and affiliates	42,188	–
Assumption of long-term debt	(62,410)	–
Other	(13,688)	–
	32,290	–
Purchase of fixed assets	28,031	13,053
Decrease in long-term debt	15,152	74,281
Dividends	22,825	16,488
Other	–	5,544
Total working capital applied	96,675	109,366
Increase (decrease) in working capital	(26,762)	91,417
Working capital at beginning of year	262,811	171,394
Working capital at end of year	$236,049	$262,811

See accompanying notes.

Consolidated Statement of Financial Position

December 31, 1980
(In thousands of U.S. dollars)

	1980	1979
Assets		
Current assets		
Cash and short-term deposits	$ 96,340	$167,742
Accounts and notes receivable (Note 1)	220,980	218,458
Inventories (Note 5)	332,696	146,297
Other current assets	11,032	6,022
Total current assets	661,048	538,519
Investments in unconsolidated subsidiaries and affiliates (Note 3)	53,286	11,567
Fixed assets (Note 6)	188,251	114,241
Goodwill	57,196	56,830
Other assets	19,720	15,400
	$979,501	$736,557

	1980	1979
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term borrowings	$ 58,029	$ 25,970
Accounts payable and accrued liabilities	218,940	145,962
Customer advances	58,373	45,312
Income taxes		
Current payable	40,313	6,895
Deferred	34,248	45,873
Current installments on long-term debt	15,096	5,696
Total current liabilities	424,999	275,708
Long-term debt (Note 7)	163,393	114,827
Other deferred liabilities		
Deferred income taxes	34,486	25,061
Retirement and pension plans	12,273	2,912
Other	2,920	2,794
	638,071	421,302
Shareholders' equity		
Capital stock (Note 9)		
Issued – 26,852,922 shares (1979 – 26,630,422)	93,016	91,289
Retained earnings	248,414	223,966
Total shareholders' equity	341,430	315,255
	$979,501	$736,557

On behalf of the Board
K.S. Barclay, Director
Dalton D. Ruffin, Director

See accompanying notes.

Notes to Consolidated Financial Statements

Year ended December 31, 1980
(In thousands of U.S. dollars)

1. Summary of significant accounting policies

Consolidation. All subsidiary companies, except the wholly-owned Koehring Finance Corporation ("KFC"), are consolidated and all significant intercompany accounts and transactions between consolidated companies have been eliminated. The investments in KFC and other affiliated companies are carried at the Company's equity in the underlying net assets and the applicable years' earnings or losses are included in consolidated income.

Construction contracts. For financial statement purposes, income on substantially all construction contracts is recognized on the percentage-of-completion basis; provision is made for the entire amount of expected losses, if any, in the period in which they are first determinable. Included in accounts receivable are unbilled receivables related to these contracts of $24,608 (1979 – $35,670).

Currency translation. Amounts stated in currencies other than the U.S. dollar are translated as follows:

Working capital (excluding inventories, prepaid expenses and deferred taxes relating to the use of the percentage-of-completion method of accounting) and long-term debt are translated into U.S. dollars at the year-end rate of exchange and the remaining assets and liabilities at appropriate historical rates. Revenues and expenses are translated at weighted average exchange rates for each quarter with the exception of cost of sales and depreciation and amortization which are based on the historical rates used for the related assets.

Net unrealized gains and losses resulting from translation are reflected in the income statement currently.

Goodwill. Goodwill is amortized using the straight-line method over a period not exceeding forty years.

Inventories. Work-in-process related to construction contracts is stated at accumulated production costs less amounts charged to income based on the percentage-of-completion of individual contracts. Other inventories are stated at the lower of cost (average or first-in, first-out) or net realizable value.

Fixed assets. Property, plant and equipment are recorded at cost. On disposal, any gain or loss is included in income.

Depreciation is determined principally on a straight-line basis over the estimated useful lives of the assets.

Income taxes. Deferred income taxes are provided to record the income tax effect of timing differences in reporting transactions for financial statement and income tax purposes. Such timing differences relate principally to depreciation of fixed assets, warranty costs and the reporting of income on construction contracts.

Provisions have not been made for taxes on undistributed income of foreign subsidiaries inasmuch as such income is being reinvested abroad.

Earnings per share. Earnings per share are calculated based on the weighted average shares outstanding during the year (1980 – 26,802,589 shares; 1979 – 23,319,614 shares).

2. Acquisition

Effective September 1, 1980, all of the stock of Koehring Company was acquired for approximately $136,000 cash which did not exceed the fair value of the net assets acquired. Koehring is an international manufacturer of specialized equipment and machinery for the construction and natural resources industries.

This acquisition has been accounted for as a purchase and results of operations from the date of acquisition have been included in the consolidated statement of income.

If the above acquisition had been made at January 1, 1979, the unaudited pro forma consolidated net sales and net income of the Company would have been $1,367,000 and $63,000 in 1980 and $1,401,000 and $72,000 in 1979, respectively. The unaudited pro forma earnings per share would have been $2.35 in 1980 and $3.09 in 1979.

3. Investment in unconsolidated finance subsidiaries

Condensed statements of financial position and income of Koehring Finance Corporation ("KFC") and its wholly-owned subsidiary at and for the four months ended December 31, 1980 are as follows:

Consolidated Statement of Financial Position

Assets	
Cash	$ 6,049
Receivables	158,695
Other assets	2,719
Total assets	$167,463
Liabilities and shareholder's equity	
Short-term debt	$109,385
Accounts payable and accrued liabilities	2,321
Subordinated notes payable to Koehring	5,000
Long-term debt	21,453
Total liabilities	138,159
Shareholder's equity	29,304
Total liabilities and shareholder's equity	$167,463

Consolidated Statement of Income

Interest and finance income	
Koehring	$3,595
Other	4,717
	8,312
Expenses	
Interest	5,432
Other	150
	5,582
Income before provision for income taxes	2,730
Income taxes	1,377
Net income	$1,353

Koehring Company sells certain installment equipment contracts to KFC, and may, at its option, repurchase any such contracts that become in default. Koehring has agreed to repurchase distributor paper from KFC for any new equipment remaining unsold by a dealer or distributor twenty-four months after the date of origin of such paper. In addition, Koehring is required to pay finance charges to KFC at such rates as will result in KFC's annual net earnings before interest expense and income taxes being equal to 150% of interest expense of KFC for such fiscal year. At December 31, 1980, KFC held contracts purchased from Koehring in the amount of $158,000.

4. Sale of assets

In March 1980, the Company sold the assets and liabilities of a United States subsidiary. The proceeds from this disposition were approximately $7,900 and the gain was $3,534 after income taxes of $965.

During 1979, the Company disposed of two U.S. based operating units and 49% of substantially all of its operations conducted in the Province of Quebec.

Included in the consolidated statement of income for these four operating units (exclusive of the net gains on disposition) are the following amounts:

	Year ended December 31, 1980	1979
Net sales	$ 2,400	$103,100
Net income	300	3,629

Notes to Consolidated Financial Statements
Year ended December 31, 1980
(In thousands of U.S. dollars)
(Continued)

5. Inventories

	1980	1979
Work-in-process	$ 91,336	$ 45,162
Steel and other supplies	169,408	84,639
Finished products	71,952	16,496
	$332,696	$146,297

6. Fixed assets

	Cost	Accumulated depreciation and amortization	Net
December 31, 1980			
Land	$ 9,553	$ –	$ 9,553
Plant	81,159	24,020	57,139
Machinery and equipment	154,685	62,249	92,436
Property under capital leases	12,890	1,308	11,582
Construction in progress	17,541	–	17,541
	$275,828	$87,577	$188,251
December 31, 1979			
Land	$ 5,595	$ –	$ 5,595
Plant	57,042	21,340	35,702
Machinery and equipment	117,810	51,513	66,297
Property under capital leases	4,376	725	3,651
Construction in progress	2,996	–	2,996
	$187,819	$73,578	$114,241

7. Long-term debt

	1980	1979
Debt of parent company		
10.25% debentures due 1984	$ 30,000	$ 30,000
9% debentures due 1986	25,000	25,000
6.5% sinking fund debentures Series A due 1986	1,280	3,846
	56,280	58,846
Debt of subsidiary companies		
Note payable to bank, at interest rate of 1.25% above the rate of the Federal Reserve Bank of New York, due in installments through 1984	14,000	18,000
9.5% note payable to insurance company due in installments through 1992	35,000	35,000
6.95% note payable to insurance company due in installments through 1989	21,297*	–
9% notes payable to insurance companies due in installments through 1997	7,372*	–
Notes payable to German banks at interest rates varying from 7.75% to 8.5% due in installments through 1988 (DM 15,300)	7,599*	–
Other notes payable at interest rates varying from 5.36% to 9% due in installments through 2004	26,101*	4,739
Obligations under capital leases (Note 11)	10,840*	3,938
	122,209	61,677
	178,489	120,523
Less installments due in one year	15,096	5,696
	$163,393	$114,827

*Long-term debt assumed by the Company upon the acquisition of Koehring Company has been reduced by $6,336 at December 31, 1980 representing the unamortized discount based on an imputed interest rate of 11%.

7. Long-term debt (Continued)

The loan agreements relating to subsidiary companies contain certain covenants with respect to working capital, net worth, leases, indebtedness, the payment of dividends and other items. All provisions of the agreements were being complied with as of December 31, 1980.

Future principal repayments on long-term debt are as follows:

1982	$ 19,288
1983	13,733
1984	44,182
1985	9,740
1986	33,645
Thereafter	42,805
	$163,393

8. Interest expense – net

	1980	1979
Interest on long-term debt	$15,559	$12,085
Interest on short-term debt and financing charges from unconsolidated subsidiary	11,055	5,233
Interest income	(19,269)	(9,605)
	$ 7,345	$ 7,713

9. Capital stock (in Canadian dollars)

Effective May 8, 1980, the Company was continued under the Canada Business Corporations Act. The Company is authorized to issue an unlimited number of common and preferred shares of no par value.

At December 31, 1980, employee stock options were outstanding with respect to 1,200,750 shares exercisable at various dates through October 1990 at prices ranging from $6.875 to $20.25 per share and totalling $15,072,000. Exercise of these options would not materially dilute earnings per share. Officers of the Company held 919,750 of the total options outstanding at December 31, 1980. In 1980, 222,500 shares were issued for $2,027,800 cash.

10. Retirement plans

The Company and its subsidiaries have pension plans covering substantially all employees. Pension expense was $5,810 and $3,904 in 1980 and 1979, respectively. It is the Company's policy to fund pension costs accrued. Benefits under certain German pension plans, in accordance with applicable laws, have not been funded. The accrued costs not being funded ($7,106 at December 31, 1980) are included in long-term liabilities.

A comparison of accumulated plan benefits and plan net assets for the pension plans of the Company and its subsidiaries at January 1, 1980 is as follows:

Actuarial present value of accumulated plan benefits:	
Vested	$119,136
Nonvested	10,874
	$130,010
Net assets available for benefits	$147,075

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 7.6%.

Notes to Consolidated Financial Statements
Year ended December 31, 1980
(In thousands of U.S. dollars)
(Continued)

11. Long-term lease commitments

The Company leases machinery, transportation equipment, office, warehouse and manufacturing facilities for periods up to twenty-five years.

The following is an analysis of the property under capital leases by major classes:

	Asset balances (Note 6) at December 31, 1980	1979
Classes of property		
Manufacturing facilities	$ 8,085	$ 3,107
Other	4,805	1,269
	12,890	4,376
Less accumulated amortization	1,308	725
	$11,582	$ 3,651

Future minimum lease payments under all leases at December 31, 1980 are:

	Capital leases	Operating leases
1981	$ 2,154	$ 6,756
1982	2,236	5,699
1983	1,805	4,417
1984	1,723	3,118
1985	1,594	2,218
Subsequent to 1985	14,927	3,295
Total minimum lease payments	24,439	$25,503
Less: Amount representing interest	13,599	
Present value of minimum lease payments	$10,840	

Total rental expense for all operating leases for the years ended December 31, 1980 and 1979 was $11,270 and $6,795, respectively.

12. Business segments

The Company operates in four industry segments: *Industrial Products,* involving the manufacture and sale of fluid processing and packaging equipment, proprietary fasteners, metal forming machinery, aerospace components, foam automobile seats, fibrous carpet padding, specialty forgings, industrial cranes, tunnel tubes and heavy materials handling equipment; *Construction and Engineering Products and Services,* involving design, engineering, procurement and manufacturing or construction services for the process, bulk material handling and light-construction industries; *Steel Products and Services,* involving the manufacture and marketing of steel bars and light structural sections and the manufacture and erection of a variety of structural steel products; and *Special Products and Services,* including the manufacture and sale of chain saws, heaters and wood-harvesting machines and the performance of various financing services.

Operations and identifiable assets by industry segment and geographic region for the year ended December 31, 1980 are as follows:

Industry segments

	Industrial Products	Construction and Engineering	Steel Products and Services	Special Products and Services	Eliminations	Consolidated
Sales to unaffiliated customers	$246,871	$466,285	$271,822	$ 76,533	$ –	$1,061,511
Inter-segment sales	2,577	2,377	375	11,230	(16,559)	–
Total sales	$249,448	$468,662	$272,197	$ 87,763	$(16,559)	$1,061,511
Segment operating profit	$ 30,068	$ 30,610	$ 28,479	$ 12,377	$ (9,810)	91,724
Unallocated net interest expense						(10,143)
General corporate expenses						(13,650)
Equity in pre-tax earnings of unconsolidated subsidiaries and affiliates						1,602
Operating income						69,533
Unrealized currency translation loss						(1,579)
Provision for income taxes						(24,217)
Gain on sale of assets – net of income tax						3,534
Net income						$ 47,271
Identifiable assets	$171,811	$387,353	$204,540	$131,491	$(94,431)	$ 800,764
Corporate assets, including goodwill						125,451
Investment in unconsolidated subsidiaries and affiliates						53,286
Total assets						$ 979,501
Capital expenditures (1)	$ 12,773	$ 7,237	$ 6,560	$ 1,065		
Depreciation and amortization (1)	$ 5,195	$ 4,504	$ 5,196	$ 1,271		

(1) Capital expenditures and depreciation and amortization exclude $396 and $2,736, respectively, of corporate amounts.

Geographic segments

	Canada	United States	Europe	Other	Eliminations	Consolidated
Sales to unaffiliated customers	$301,706	$634,981	$ 99,364	$25,460	$ –	$1,061,511
Transfers between geographic segments	2,242	8,958	1,442	10,117	(22,759)	–
Total sales	$303,948	$643,939	$100,806	$35,577	$ (22,759)	$1,061,511
Segment operating profit	$ 25,780	$ 54,905	$ 17,576	$ 2,640	$ (9,177)	$ 91,724
Unallocated net interest expense						(10,143)
General corporate expenses						(13,650)
Equity in pre-tax earnings of unconsolidated subsidiaries and affiliates						1,602
Operating income						69,533
Unrealized currency translation loss						(1,579)
Provision for income taxes						(24,217)
Gain on sale of assets – net of income tax						3,534
Net income						$ 47,271
Identifiable assets	$216,268	$384,118	$279,744	$23,558	$(102,894)	$ 800,764
Corporate assets, including goodwill						125,451
Investment in unconsolidated subsidiaries and affiliates						53,286
Total assets						$ 979,501

Intersegment and interregional sales are accounted for at prices which the Company believes approximate market. The Canadian operations include export sales of $18,571 primarily to customers in the United States and Africa.

Notes to Consolidated Financial Statements

Year ended December 31, 1980
(In thousands of U.S. dollars)
(Continued)

12. Business segments (Continued)

The unconsolidated finance subsidiaries would be included in the Special Products and Services segment. Operations and identifiable assets by geographic region for the four months ended December 31, 1980 are as follows:

	Canada	United States	Consolidated
Interest and finance income	$ 1,180	$ 7,132	$ 8,312
Segment operating profit	$ 600	$ 2,130	$ 2,730
Provision for income taxes			(1,377)
Net income			$ 1,353
Identifiable assets	$21,549	$145,914	$167,463

13. Transactions with related parties

In 1980, sales of various products to and purchase of raw materials from related parties amounted to $13,000 and $41,200, respectively.

14. Contingent liabilities

A number of claims and lawsuits, including several which purport to be class actions, are pending. Several of these suits seek unspecified damages and other relief. It is impossible at this time for the Company to predict with any certainty the outcome of such litigation. However, management is of the opinion, based upon information presently available to it, that it is unlikely that any liability, to the extent not provided for through insurance or otherwise, would be material in relation to the Company's consolidated financial position.

At December 31, 1980, the Company is contingently liable with respect to $7,300 of receivables sold with recourse.

15. Comparative figures

Certain of the 1979 comparative figures have been reclassified to conform with the presentation adopted in 1980.

Auditors' Report

To the Shareholders of
Dominion Bridge Company, Limited

We have examined the consolidated statement of financial position of Dominion Bridge Company, Limited as at December 31, 1980 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Young & Company
Chartered Accountants

Montreal, Canada
February 2, 1981

Consolidated Statement of Income by Quarters
(Unaudited in thousands of dollars except per share data)

	1980				1979			
	December	September	June	March	December	September	June	March
Revenues								
Sales	372,826	257,054	226,355	205,276	261,048	232,308	235,721	205,113
Pre-tax earnings of unconsolidated subsidiaries and affiliates	2,349	(762)	95	(80)	–	–	–	–
	375,175	256,292	226,450	205,196	261,048	232,308	235,721	205,113
Costs and Expenses								
Cost of sales and operating expenses	338,298	235,711	206,749	186,575	242,692	212,403	208,417	184,031
Depreciation and amortization	6,087	4,763	3,969	4,083	4,461	4,344	4,356	4,299
Interest – net	4,248	3,016	(25)	106	1,115	(80)	3,528	3,150
	348,633	243,490	210,693	190,764	248,268	216,667	216,301	191,480
Operating Income Before Income Taxes	26,542	12,802	15,757	14,432	12,780	15,641	19,420	13,633
Income taxes	9,157	4,770	5,135	5,155	3,839	5,176	8,713	6,199
Operating Income	17,385	8,032	10,622	9,277	8,941	10,465	10,707	7,434
Unrealized currency translation gain (loss)	(294)	1,093	(1,594)	(784)	(507)	2,224	446	1,447
Gain on sale of assets – net of income tax	–	–	–	3,534	13,370	–	–	–
Net Income	17,091	9,125	9,028	12,027	21,804	12,689	11,153	8,881
Per Share Data ($)								
Sales	13.85	9.58	8.47	7.70	9.45	9.94	11.05	9.62
Operating income	0.64	0.30	0.40	0.35	0.32	0.45	0.50	0.35
Net income	0.63	0.34	0.34	0.45	0.85	0.55	0.52	0.42
Dividends (Canadian dollars)	0.25	0.25	0.25	0.25	0.20	0.20	0.20	0.20

Per share data has been calculated based on the weighted average shares outstanding during the year. The third quarter 1980 has been restated to reflect full consolidation of Koehring Company.

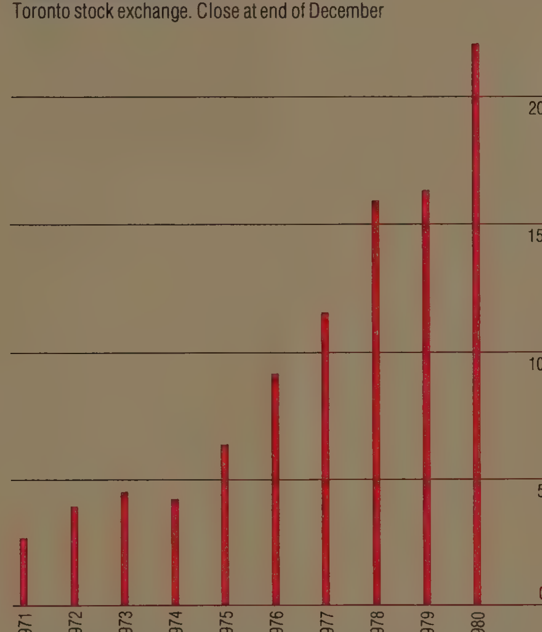
Stock Information
Year-end stock prices and dividends paid.

Stock Exchanges
Montreal
Toronto

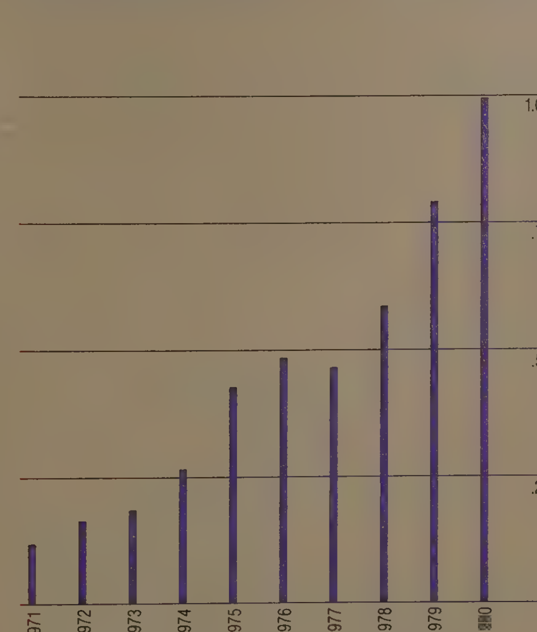
Transfer Agent
The Royal Trust Company
(Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver)

Registrar
Montreal Trust Company
(Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver)

Common Stock Price*
Toronto stock exchange. Close at end of December



Common Stock Dividend†*



Data has been adjusted to reflect the two-for-one stock subdivisions in November 1974, October 1976 and December 1979.

†The apparent reduction in dividends in 1977 resulted from the manner in which the Company chose to pay the increase allowed by the Canadian Anti-Inflation Board in late 1976.

*Canadian Dollars Per Share

*K.S. Barclay
Chairman and Chief Executive Officer
Dominion Bridge Company, Limited

Robert W. Campbell
Chairman and Chief Executive Officer
PanCanadian Petroleum Limited

***Michael D. Dingman**
President, Chairman and Chief Executive Officer
Wheelabrator-Frye, Inc.

Jack Hatcher
President and Chief Operating Officer
Dominion Bridge Company, Limited

John Macnamara
President and Chief Executive Officer
The Algoma Steel Corporation, Limited

†‡Brian R.B. Magee
Vice Chairman
Markborough Properties Limited
Honorary Chairman
A.E. LePage Limited

John R. Meyer
Professor of Transportation, Logistics and Distribution
Harvard University

James E. Robison
President
Lonsdale Enterprises, Inc.

†‡Dalton D. Ruffin
Regional Vice President
Wachovia Bank and Trust Company, N.A.

Ian D. Sinclair
Chairman and Chief Executive Officer
Canadian Pacific Limited

***W.J. Stenason**
President
Canadian Pacific Enterprises Limited

†H. Heward Stikeman, Q.C.
Senior Partner
Stikeman, Elliott, Tamaki, Mercier and Robb

‡Walter G. Ward
Chairman
The Algoma Steel Corporation, Limited

*Member: Executive Committee
†Member: Audit Committee
‡Member: Management Resources Committee

Officers

A.B. Bjornsson
Senior Vice President
Engineering and
Manufacturing

R.E. Chamberlain
Group Vice President

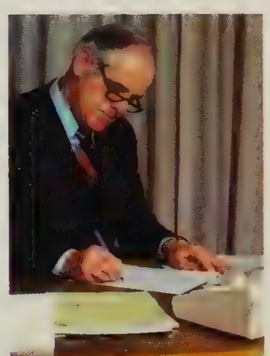
R.H. Elman
Group Vice President

R.J.A. Fricker
Senior Vice President

W.R. Holland
Executive Vice President

R.T. Lindgren
Group Vice President

J. Ottmar
Senior Vice President



J.B. Phelan
Group Vice President

F.H. Roland
Senior Vice President

F.J. Stevenson
Executive Vice President

Principal Corporate Officers

K.S. Barclay
Chairman and Chief Executive Officer

J. Hatcher
President and Chief Operating Officer

W.R. Holland
Executive Vice President

F.J. Stevenson
Executive Vice President

Senior Corporate Officers

A.B. Bjornsson
Senior Vice President
Engineering and Manufacturing

R.E. Chamberlain
Group Vice President

R.H. Elman
Group Vice President

R.J.A. Fricker
Senior Vice President

R.T. Lindgren
Group Vice President

J. Ottmar
Senior Vice President

J.B. Phelan
Group Vice President

F.H. Roland
Senior Vice President

Other Corporate Officers

J.A. Davis
Vice President, General Counsel

J.H. Frost
Vice President, Computer Services

R.A.C. Henry
Secretary

E.J. McDonald
Controller

R.A. Reid
Vice President, Manufacturing

H.S. Tamaki
Vice President, Human Resources

J.B. Twombly
Treasurer

Koehring: Newest Addition To Company

Benton Harbor Engineering manufactures hydraulic cylinders for Koehring and other well-known construction equipment manufacturers. Cylinders provide smooth operation of excavator boom lift and extension and are also an integral part of outriggers, jacks and stabilizers on various makes and models of construction equipment. Great care goes into machining each component part of a hydraulic cylinder.

Newest acquisition increases annual sales by 50 percent – $500 million . . . an international manufacturer of specialized equipment and machinery for construction and natural resources industries . . . producer of hydraulic components . . . founded in 1907 . . . hydraulic excavators, cranes, compaction and soil stabilizing equipment, well drilling equipment, pile-driving hammers, portable heaters, control valves and woodlands equipment.

In September 1980, Dominion Bridge/AMCA added 21 plants, 5,000 employees and a growing distributor network which, on an annual basis, will account for machinery and equipment shipments of almost $500 million.

International Manufacturer of Heavy Equipment. This growth was accomplished through the acquisition by AMCA International of Koehring Company, an international manufacturer of specialized equipment and machinery for the construction and natural resources industries and producer of hydraulic components. Koehring, headquartered in Brookfield (Milwaukee), Wisconsin, was a *Fortune* 500 company at the time of its acquisition. It has an outstanding reputation for quality-built, high-performance products. Although Koehring has been involved in the manufacture of many different product lines since its formation in 1907, it currently operates ten plants which produce compaction and general construction equipment; four which produce cranes and excavators; four which manufacture hydraulic components; and one each producing tree harvesters and log loaders and well drilling equipment.

Highlights of 1980. Despite the anticipated downturn in the domestic economy, Koehring's earnings and shipments advanced during the first quarter of 1980. Even though the economic climate continued to deteriorate during the second quarter, business in compaction equipment, cranes, well drilling and woodlands equipment remained strong and six-month earnings and shipments remained ahead of 1979.

During the second half of 1980, Koehring benefited from adjustments in its labor force that were made in anticipation of the business downturn in the U.S. housing and general construction markets. Other business areas remained strong and the reallocation of resources and other expense controls provided Koehring with another record year.

The compaction and soil stabilization business overseas produced impressive results, exceeding record levels set in 1979. Woodlands equipment, manufactured and principally marketed in Canada, experienced an upturn. A new line of heaters received wide market acceptance and provided the division with a very profitable year. Pile-driving hammers showed acceptable growth in a specialized market. While demand for large excavators softened, other crane and excavator products were able to equal or exceed 1979 shipment levels.

Fine-Tuning for the 1980's. During the past five years, Koehring has been fine-tuning its product lines for the marketplace and is in position to meet the demands of the decade. Its track record since 1975 has shown progressive improvement. Earnings have more than doubled during this period on shipments which have increased by approximately 50 percent.

The challenges for 1981 include adapting to the prospects of continued tight money markets, high interest rates, double-digit inflation, reduced housing activity and fewer federally-funded construction projects. To meet these challenges successfully will require constant adjustment of Koehring's resources and the necessity of expanding foreign markets to help assure the required return on investment.

Historical Highlights. Koehring Company was founded in Milwaukee in 1907. The company's first product was a steam-driven concrete mixer. By the mid-1920's Koehring had expanded its product line to include graders, pavers, cranes and excavators. The company rapidly became a leader in introducing crawler mountings for its equipment.

The company made a slow but steady recovery from the depression years. During World War II, Koehring products were geared for military and defense purposes around the world. Since the war, Koehring has become a truly international company with manufacturing, licensee and marketing facilities located throughout the world. In 1969, through the acquisition of BOMAG, Koehring added major production capabilities in Europe.

Today, Koehring is involved principally in the manufacture of specialized machinery and equipment for the construction and natural resources industries and the manufacture of hydraulic components and systems. Its products are sold under numerous trade names.

BOMAG is the world's largest producer of compaction and stabilization equipment. Its large units, like the one pictured, meet the requirements of freeway and airport construction while being flexible enough to work on smaller projects like city streets. BOMAG units come in sizes to meet every need down to walk-behind machines for compacting around buildings, sidewalks and trench bottoms (see Page 2).

Thorough testing of all operations of Koebring excavators is conducted at the factory prior to shipping each unit. The company's "strong on performance" reputation is highly prized and rigid performance check lists help assure that no operating part's role is overlooked.

Speedstar water well drills (inset above) have depth capacities ranging from 350 feet to over a mile. Rigs are used around the world and have been serving well drilling needs for over a half century. These machines are also used for shallow oil field drilling.

Principal Subsidiary Companies

AMCA International Corporation
Hanover, New Hampshire

AMCA Netherlands B.V.
Amstelveen, The Netherlands

Amtel, Inc.
Providence, Rhode Island

Koehring Company
Brookfield, Wisconsin

Span Holdings Limited
Nassau, Bahamas

Operating Management

AMCA Netherlands B.V.
Amstelveen, The Netherlands
R.W. Johnson, Managing Director
D.E. Walsh, Managing Director

Atomaster
Bowling Green, Kentucky
D.S. Vitale, President

Bantam
Waverly, Iowa
R.P. Fackler, President

Benton Harbor Engineering
Benton Harbor, Michigan
R.R. Golze, General Manager

BOMAG
Boppard, Federal Republic of Germany
F.J. Olzinger, President

BOMAG (U.S.A.)
Springfield, Ohio
D.S. Vitale, General Manager

Cherry-Burrell
Cedar Rapids, Iowa
G.J. Remus, President

Clyde Iron
Duluth, Minnesota
P.D. Runquist, General Manager

Construction Equipment
Dayton, Ohio
K.D. Allen, General Manager

Continental Screw
New Bedford, Massachusetts
G.A. Andrews, Vice President

DESA Industries
Park Forest, Illinois
J.B. Tyler, President

Dominion Bridge Company, Limited

Eastern Canada Division
Montreal, Quebec
J.R. Irwin, Vice President

Dominion Bridge-Sulzer
Lachine, Quebec
H.J. Reichel, President

Western Canada Division
Calgary, Alberta
K.R. Ebbern, Vice President

Engineered Fasteners Division
New Bedford, Massachusetts
A.D. Bancroft, President
Includes:
Continental Screw
Midland Screw

Equipment Systems Division
Houston, Texas
M.J. Ucci, Chairman
V.L. Martin, President
Includes:
Clyde Iron
Morgan Engineering
Provincial Crane
Wiley Manufacturing

Fenn Manufacturing Company
Newington, Connecticut
A.S. Nippes, Chairman
M.L. Hansen, President

HUSCO
Waukesha, Wisconsin
C.B. Blackburn, President

IMODCO
Los Angeles, California
B. Frankel, President

Janesville Products
Norwalk, Ohio
M.E. French, President

JESCO, Inc.
Fulton, Mississippi
T.E. Staub, President

Koehring Company
Brookfield, Wisconsin
R.T. Lindgren, Chairman and President
J.T. Lesko, Senior Vice President
K.H. Schwamborn, Senior Vice President

Koehring Excavators
G.D. Herr, President
Includes:
Bantam
Koehring

Lorain Cranes
R.E. Arceci, President

Koehring Fluid Power
W.G. Gerow, President
Includes:
Benton Harbor Engineering
HUSCO
Pegasus

Koehring Special Equipment
R.E. Burton, President
Includes:
Speedstar
Woodlands

BOMAG Compaction and Light Equipment – Western Hemisphere
W. Kuettner, President
Includes:
Atomaster
BOMAG (U.S.A.)
BOMAG (Canada)
Light Equipment
Nippon BOMAG

BOMAG Compaction and Light Equipment – Eastern Hemisphere
F.J. Olzinger, President
Includes:
BOMAG Boppard
BOMAG (Great Britain)
BOMAG (South Africa)
Societe Maletra

Koehring
Milwaukee, Wisconsin
C.R. Thompson, President

Koehring Finance Corporation
Brookfield, Wisconsin
R.C. Lackenbauer, Manager

Koehring G.m.b.H.
Boppard, Federal Republic of Germany
K.H. Schwamborn, Chairman
Includes:
BOMAG (Boppard)
Societe Maletra
Menck

The Litwin Companies
Houston, Texas
H. Katz, Chairman
R.L. Bradley, President
Includes:
JESCO, Inc.
Litwin Corporation
Litwin Engineers & Constructors, Inc.
Litwin S.A.
ORBA Corporation

Litwin Corporation
Houston, Texas
J.E. Rhorer, President

Litwin Engineers & Constructors, Inc.
Houston, Texas
R.L. Bradley, President

Litwin S.A.
Puteaux, France
M. Plot, President

Lorain
Chattanooga, Tennessee
R.E. Arceci, President

Manitoba Rolling Mills (Canada) Limited
Selkirk, Manitoba
R.R. Robertson, Vice President

Menck
Ellerau, Federal Republic of Germany
F.J. Olzinger, President

Midland Screw
Chicago, Illinois
R.E. Riker, President

Monroe Forgings
Rochester, New York
J.A. Mancini, President

Morgan Engineering
Alliance, Ohio
J.R. Stadelman, Vice President

ORBA Corporation
Fairfield, New Jersey
A.T. Yu, President

Pegasus
Troy, Michigan
D.W. Sallberg, President

ROTEK, Inc.
Aurora, Ohio
R.A. Pierfelice, President

Span Holdings Limited
Nassau, Bahamas
G.A. Law, President

Speedstar
Enid, Oklahoma
R. Biegler, President

Varco-Pruden
Memphis, Tennessee
R.C. Kelley, President

Wiley Manufacturing
Port Deposit, Maryland
J.L. Paquette, General Manager

Woodlands
Brantford, Ontario
D. Evans, President

Products and Services

Energy Products, Services & Systems	Engineering & Construction Services	Industrial Products	Special Construction Products & Equipment	Steel Products & Services	Financial, Marketing & Licensing Services	
					•	**AMCA Netherlands B.V.** – international financial services
			•			**Atomaster** – portable heaters
			•			**Bantam** – hydraulic excavators
		•				**Benton Harbor Engineering** – hydraulic valves & cylinders
			•			**BOMAG** – light & heavy duty compaction & stabilization equipment
		•				**Cherry-Burrell** – food & beverage processing & packaging machines
•		•	•			**Clyde Iron** – Whirley cranes, specialized heavy duty lifting & pulling equipment
		•			•	**Continental Screw** – threaded and non-threaded fasteners
			•			**DESA** – chain saws, construction & do-it-yourself tools
•	•	•	•	•		**Dominion Bridge** – fabricated industrial steel products & equipment; structural steel, buildings & bridges; steel service centers
•	•	•	•	•		**Dominion Bridge-Sulzer** – fabricated industrial steel products especially for electric utility applications including hydraulic turbines; structural steel; construction services
	•			•		**DB Engineers & Constructors** – engineering & construction services
		•				**Fenn** – metal forming machines; precision aerospace components
		•				**HUSCO** – control valves
•	•					**IMODCO** – offshore marine terminals
		•				**Janesville** – foam products & non-woven padding for autos
•	•					**JESCO** – commercial, industrial & process industry construction & millwright services
			•			**Koehring** – hydraulic excavators & cable cranes
			•			**Koehring Construction** – general construction equipment (Skytrak forklifts; Master concrete trowels, vibrators, alternators)
					•	**Koehring Finance** – financing assistance for purchase of company products and services
•	•					**Litwin Europe** – engineering & construction services to worldwide petroleum & chemical processors
•	•					**Litwin U.S.** – design & construction services for oil refineries/chemical plants
			•			**Lorain** – light & heavy duty hydraulic, friction, lattice boom cranes
		•		•		**Manitoba Rolling Mills** – rolling mill products; bar & light structural steel sections
			•			**Menck** – pile driving & related equipment
		•			•	**Midland Screw** – threaded and non-threaded fasteners
		•		•		**Monroe** – alloy metal forged rings, bars & discs
•	•	•				**Morgan** – industrial overhead traveling cranes, steel mill equipment, oil pumping units
•	•					**ORBA** – design, construction, operation of dry bulk materials handling systems
		•				**Pegasus** – servo valves & load simulators
•		•				**Provincial** – industrial overhead traveling cranes; gantry cranes
		•				**ROTEK** – industrial bearing systems
					•	**Span Holdings** – international purchasing, marketing, consulting & licensing services
•			•			**Speedstar** – well drilling machines
	•		•			**Varco-Pruden** – pre-engineered non-residential buildings
	•	•				**Wiley** – barges, self-propelled vessels, dredges & tunnel tube fabrication
		•	•			**Woodlands** – pulpwood harvesting & paper mill machinery

**Dominion
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